

- SUBJECT:** Restructuring health benefits for retired school employees
- COMMITTEE:** Appropriations — committee substitute recommended
- VOTE:** 24 ayes — Zerwas, Longoria, Ashby, G. Bonnen, Capriglione, Cospers, S. Davis, Dean, Giddings, Gonzales, González, Howard, Koop, Miller, Muñoz, Perez, Phelan, Raney, Roberts, J. Rodriguez, Sheffield, Simmons, VanDeaver, Walle
- 0 nays
- 3 absent — Dukes, Rose, Wu
- WITNESSES:** For — Timothy Lee, Texas Retired Teachers Association
- Against — (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings)
- On — Ted Melina Raab, Texas AFT (American Federation of Teachers); Monty Exter, The Association of Texas Professional Educators; Katrina Daniel and Brian Guthrie, Teacher Retirement System; (*Registered, but did not testify*: Ann Fickel, Texas Classroom Teachers Association; Portia Bosse, Texas State Teachers Association)
- BACKGROUND:** Texas lawmakers created TRS-Care in 1985 to provide health insurance coverage for retired public school employees.
- The 84th Legislature in 2015 created a joint interim committee to study TRS-Care and make recommendations to sustain the plan. The committee's report recommended changing coverage for retirees under the age of 65, who the report says are driving up costs because they are not eligible for Medicare.
- DIGEST:** CSHB 3976 would change enrollment, premium, and benefit requirements for certain TRS-Care enrollees.

**Premiums.** CSHB 3976 would require a retiree who had coverage under a health benefit plan offered under TRS-Care to pay a monthly contribution as determined by the TRS Board of Trustees. The bill would eliminate the requirement for TRS to provide a premium-free health plan to retirees. Retirees would not be required to pay a monthly contribution until the year 2020 if they:

- had taken a disability retirement under the Teacher Retirement System of Texas (TRS) on or before January 1, 2017;
- were receiving disability retirement benefits from TRS; and
- were not eligible for Medicare.

**Funding.** The state would contribute to the TRS-Care program fund 1.25 percent, rather than one percent of the salary of each active employee. The bill would remove the requirement in statute for contributions to be paid from the general revenue fund.

The state, through TRS, would contribute from money in the TRS-Care program fund, an amount prescribed by the general appropriations act to cover all or part of the cost for each retiree, surviving spouse, and surviving dependent child enrolled in a TRS-Care plan. The TRS could spend a part of the money received for TRS-Care to offset part of the costs for dependent coverage if TRS-Care was projected to remain financially solvent during the currently funded biennium.

The total costs for the operation of TRS-Care would be shared among the surviving spouses, surviving dependent children, the state, the public schools, the active employees, and the retirees in the manner prescribed by the general appropriations act. The TRS Board of Trustees would establish and collect payments for the share of these total costs. The board could consider various factors in establishing the payments, including an enrollee's Medicare status, health benefit plan election, and dependent coverage, rather than a retiree's years of service credit.

**Authorization for deductions.** To choose coverage under a TRS-Care health benefit plan, the retiree would have to give authorization in writing

to deduct the amount of the contribution from the retiree's monthly annuity payment. The contribution would be deducted in the manner and form determined by the TRS Board of Trustees.

**Dependents, surviving spouses, and surviving children.** A retiree, dependent, surviving spouse, or surviving dependent child who was not eligible to enroll in Medicare would be eligible to enroll in a high deductible health plan offered under TRS-Care, subject to certain eligibility requirements, but would not be eligible to enroll in another TRS-Care plan. A retiree, dependent, surviving spouse, or surviving dependent child who was Medicare-eligible also would be eligible to enroll in a Medicare Advantage plan or a Medicare prescription drug plan offered under TRS-Care, subject to certain eligibility requirements, but would not be eligible to enroll in another health benefit plan offered under TRS-Care, except if TRS made another health benefit plan available.

Retirees in TRS-Care would be entitled to secure coverage for their dependents under the provisions of the bill or any other law, including requirements established by TRS. Surviving spouses who chose to retain or obtain TRS-Care coverage for themselves or their dependents would be required to pay a monthly contribution, as determined by the TRS Board of Trustees. A surviving spouse would have to authorize in writing the contribution to be deducted from their monthly annuity payment. A surviving dependent child who had coverage under TRS-Care also would pay a monthly contribution in the manner established by the TRS Board of Trustees.

**Coverage requirements.** A Medicare Advantage plan and a Medicare prescription drug plan under the bill would be exempt from requirements to provide coverage for prostate screenings, disease management services, and prior authorization requirements for certain drugs. The bill would require a health benefit plan offered under the group program, except a Medicare Advantage plan or a Medicare prescription drug plan to cover preexisting conditions. A retiree who applied for coverage during an enrollment period could not be denied coverage in a health benefit plan for which the retiree was eligible unless TRS found that the retiree

defrauded or attempted to defraud the group program.

**Enrollment and enrollment period.** An individual enrolled in a TRS-Care plan may remain enrolled in that plan as long as the person is eligible. If an individual became ineligible, TRS would enroll the individual in a health benefit plan for which the person was eligible, if any.

A retiree eligible for coverage under TRS-Care could select for themselves and their eligible dependents coverage for which each of those individuals was eligible on any date that was on or after the date the retiree retired and on or before the 90th day after that date. The enrollment period also would extend from the date the retiree became 65 years old to a date that the TRS Board of Trustees could set by rule.

**Optional benefits payments.** Under the bill, optional benefits payments would no longer be exempt from execution, attachment, garnishment or any other process.

**Repealed provisions.** The bill would repeal provisions of the Insurance Code addressing plan variation according to Medicare coverage, contribution payments by surviving spouses, cost-sharing under an optional group health benefit plan, a limitation on enrollment in an optional group health benefit plan, additional enrollment periods, collection of a certain premium amount, the participation contribution for an optional plan, determination of total costs for TRS-Care cost sharing, and payment ranges for retirees.

**Effective date.** The bill would take effect September 1, 2017, and would apply only to health benefits provided under TRS-Care beginning with the 2018 plan year. The plan year before 2018 would be governed by the law as it existed immediately before the bill's effective date and the law would be continued in effect for that purpose.

**NOTES:**

The Legislative Budget Board's fiscal note estimates the bill would have a negative impact of \$162.1 million through the fiscal 2018-19 biennium.

A companion bill, SB 788 by Huffman, was reported favorably from the Senate State Affairs Committee on April 6..